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TRADE AND DEVELOPMENT BOARD
Standing Committee on Poverty Alleviation
Second session
Geneva, 25 July 1994
Agenda item 9

DRAFT REPORT OF THE STANDING COMMITTEE ON POVERTY ALLEVIATION ON ITS SECOND SESSION

Held at the Palais des Nations, Geneva,
from 25 to 29 July 1994

Rapporteur: Mr. Gomi Tharaka Senadhira (Sri Lanka)

INTRODUCTION

GENERAL DEBATE ON AGENDA ITEMS 3, 4, 5 and 6

ORGANIZATIONAL MATTERS

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by **Wednesday, 3 August 1994** at the latest to:

The UNCTAD Editorial Section
Room E.8106
Fax No. 907 0056
Tel. No. 907 5656/5655

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INTRODUCTION

1. The Standing Committee on Poverty Alleviation held its second session at the Palais des Nations, Geneva, from 25 to 29 July 1994.

2. In the course of its session, the Standing Committee held .... formal plenary meetings and .... informal meetings.

Opening statement

3. The **Officer-in-charge of UNCTAD** said that the topics which the Standing Committee on Poverty Alleviation was to discuss were of the utmost importance at a time when poverty continued to be a pervasive phenomenon. Indeed, despite overall continued global improvements in life expectancy, education and average consumption per capita, there were over one billion people who were too poor to satisfy their basic human requirements. Even under fairly optimistic assumptions about global economic recovery during the rest of the decade, it was likely that the numbers of these absolute poor would be higher by the turn of the century.

4. The problem of poverty in recent years had assumed increasingly complex dimensions as a result of local conflicts in various parts of the world that had given rise to social disintegration and rapid growth in conjunctural poverty. Conjunctural poverty had also grown under conditions of greater reliance on market mechanisms and among the labour force engaged in the provision of non-tradeables.

5. With regard to the agenda of the Standing Committee, apart from the attention delegates should devote to policy-related aspects of chronic and conjunctural poverty, the second session had the task of identifying a set of poverty-related issues and recommendations to propose for consideration at the World Summit for Social Development. Indeed, with the perpetuation of poverty rooted in problems of economic growth as well as distribution, the Standing Committee could make a valuable contribution to the Summit for Social Development by proposing policy recommendations that focused on the nexus between trade and poverty alleviation.

6. In view of the broadly-based work on poverty alleviation already carried out by the Standing Committee and the fact that poverty alleviation was increasingly being taken up elsewhere in the United Nations system, he proposed that the Standing Committee concentrate during the period leading up to its third session on a reduced number of substantive issues which would be focused on the relationship between poverty alleviation and trade and other related development

concerns for which UNCTAD had primary responsibility within the United Nations system. In this way the work of UNCTAD's Standing Committee on Poverty Alleviation would usefully complement work being done elsewhere in the United Nations system on the multifaceted issue of poverty alleviation and reduction. Bearing in mind that the international community was rightfully turning its attention once again to the imperatives of development, including such social concerns as population, women and human settlements, UNCTAD should likewise give greater salience in its work to the social dimensions of trade and development.

Chapter I

EXCHANGE OF EXPERIENCES ON POVERTY REDUCTION IMPACTS OF SOCIAL FUNDS AND SAFETY NETS, INCLUDING THE MOBILIZATION OF DOMESTIC AND EXTERNAL RESOURCES FOR POVERTY ALLEVIATION

EFFECTS ON POVERTY ALLEVIATION OF STRUCTURAL ADJUSTMENT PROGRAMMES, JOB CREATION POLICIES, AND MEANS FOR THE PARTICIPATION OF SMALL-SCALE AND MICRO-ENTERPRISES IN INTERNATIONAL TRADE

SOCIAL MOBILIZATION AND ORGANIZATION OF THE POOR

CONTRIBUTION TO THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT

(Agenda items 3, 4, 5 and 6)

General debate

7. Introducing the substantive items of the agenda, the **Director of the Division for Economic Cooperation among Developing Countries and Special Programmes** said that the task before the second session of the Standing Committee was a challenging one. The agenda contained three important substantive items, two of which had already been discussed by an UNCTAD intergovernmental group of experts and in a preparatory workshop in Tunis and therefore required only political guidance from the Standing Committee on how best to follow up in terms of making the policy recommendations operational. She then gave a brief description of the substantive content and conclusions of the main documents before the Standing Committee.

8. Turning to item 6 of the agenda, she drew the attention of the Standing Committee to UNCTAD's contribution to the World Social Summit. The three core items to be addressed by the Summit related to the issues of poverty reduction and job creation for the poor. The meeting of the Standing Committee provided a timely opportunity for delegations to reflect on these important issues, and they could, if they so wished, agree on an UNCTAD input to the Summit in the form of a plan of action that could contribute to the success of the Summit. With regard to the work programme for the next session of the Standing Committee, it would be useful for Governments to build on the work already accomplished by the Standing Committee and

agree on two substantive issues within the competence of UNCTAD that could figure in the provisional agenda of the third session.

9. The representative of **Chile** said that the eradication of poverty constituted a high priority for the Chilean Government. His Government was convinced that, in order to achieve social and political stability, which was a condition for achieving economic stability, the poor had to be reintegrated into the production process. The National Council for the Eradication of Poverty, which had been established by his Government in May 1994, aimed at solving poverty problems through a process of consultation between economic, political and social actors with a view to devising relevant poverty alleviation policies in a consensual manner.

10. With regard to the three themes covered by item 4 of the agenda, namely the effects on poverty alleviation of structural adjustment programmes, job creation policies and means for the participation of small-scale and micro-enterprises in international trade, he said that his delegation was of the opinion that the UNCTAD secretariat should concentrate its efforts on the third subject, small-scale and micro-enterprises, which played an important role in employment creation and therefore constituted an important means of integrating the poor into the production system. In many countries, these enterprises were confronted with severe problems because of the limited financial resources at their disposal and because of the precariousness of their commercial activities. In this regard, the promotion of such enterprises in Chile had been positive, and future programmes of this nature would be wider in scope. He then drew the attention of the Committee to an ILO publication entitled "Towards Full Employment" which was to be submitted as a contribution to the World Summit on Social Development.

11. On the subject of structural adjustment, the secretariat documentation did not provide a sufficiently balanced presentation of the positive as well as the negative aspects of the effects of structural adjustment programmes on the economies of developing nations. His delegation agreed with a recent study by the Economic Commission for Latin America and the Caribbean (ECLAC) that the promotion of exports, trade liberalization, tight fiscal and monetary policies and diminished state intervention in the economic sphere were the policies towards which Latin American economies should be heading during the 1990s. He concluding by saying that, lately, the Chilean government authorities had been working on the elaboration of a number of high-impact development policies which were based on an

integrated approach and designed to bring about, simultaneously, poverty reduction and alleviation, employment generation and greater social integration.

12. The representative of **Zambia** said that the expertise of UNCTAD in the process of articulating poverty issues such as those contained in the agenda should not be underestimated. Although poverty eradication was first and foremost a national concern, international cooperation in arriving at an integrated solution for eradicating and alleviating poverty was equally important. Although structural adjustment programmes and trade liberalization reforms had been used as instruments to enhance economic growth and alleviate poverty, the experience of many developing countries indicated that poverty had actually worsened in certain cases.

13. The representative of **Bangladesh** said that adjustment strategies had frequently failed to halt economic decline and bring about improvements in the welfare of the population. Consequently, structural adjustment programmes should be redesigned in order to take into account social and human concerns and not to impose unreasonable conditionalities on adjusting countries. The high and increasing incidence of poverty in the developing world could undermine social stability in a number of countries and, as a result, produce economic refugees looking for opportunities in the developed countries. Developed countries might therefore consider modifying the objectives of their aid policies and giving poverty reduction the priority it deserved.

14. In terms of the mobilization of domestic resources for development, he emphasized the role of specialized banks which offered credit facilities to the poor. One example was the Grameen Bank in Bangladesh, which provided loans to the poor without requiring any collateral. He then stressed the importance of the growth potential of low-income producers, given the high marginal savings rates and low capital/output ratios of the poor.

15. Social safety nets played an important role in reducing poverty. Owing to the scarcity of resources and the magnitude of poverty, however, there was a need for targeting and priority determination. Adequate funding support needed to be provided for safety nets, which should be maintained on a sustained basis.

16. Finally, with regard to the question of recommendations to the Social Summit, he suggested that international agencies and national Governments might explore the possibility of setting targets for poverty alleviation, including the allocation of resources for anti-poverty programmes, within a specified time-frame. This

approach might bear more fruit than loosely formulated and coordinated poverty alleviation approaches.

17. The representative of **Indonesia**, referring to the objectives of his Government in the area of poverty alleviation, said that, within the framework of the 6th Development Programme, which had been adopted in April 1994, Indonesia had set itself the ambitious task of bringing the poverty rate down from 13.7 per cent to 6 per cent of the population by the end of the 6th Programme and of eliminating poverty completely within 10 years. To achieve these goals, sustained economic growth was indispensable and should be based at this point in time on labour-intensive and resource-oriented industries, and later on more skill-intensive and technologically advanced industries. Four elements ought to be emphasized: rapid, labour-intensive economic growth; fiscal and monetary policies favourable to the poor; focus on human resources development; and targeted assistance to poor villages and families.

18. Over time, poverty would become less general and more concentrated in specific areas or groups, thus requiring differentiated approaches to cope with it. To this end, innovative programmes had been launched in Indonesia, the most important of them being the Inpres Desa Tertinggal (ITD), or "less-developed villages" programme. Under this programme, loans would be disbursed to village communities as working capital for small enterprises and activities selected by the poor villagers themselves. The villages would also have access to technical expertise through a programme of facilitators, who, in addition to providing direct assistance, would be responsible for upgrading the entrepreneurial capacities of the local people. The purpose of the programme would be to empower poor people to help themselves and to involve them in activities which they were familiar with and which were closely related to the local culture. As a result, the likelihood of success in improving the living standards of the poor was relatively high.

19. The representative of **Mexico** said that, although the General Assembly of the United Nations had set the eradication of poverty as a priority objective for the 1990s, poverty had worsened, partly because world output growth had been inferior to population growth for the past three years. Persisting and increased poverty had led to the further marginalization of the poor and poorest segments of the population, hence rendering the task of alleviating poverty onerous for developing countries and converting social stability in those countries into a major issue for which urgent solutions needed to be found.

20. His delegation believed that the Standing Committee should strive to identify the obstacles faced by the developing countries in the implementation of their poverty alleviation strategies, as well as the appropriate policies which could be adopted and the action which should be taken by the international community and the United Nations system in order to eradicate poverty. The analyses in the documents presented under items 4 and 5 were of particular importance in this regard, especially as concerns the consequences of structural adjustment programmes. Now that it was recognized that economic growth and a low level of inflation were not sufficient conditions for the development, progress and welfare of society as a whole, it was necessary, when elaborating new policies and structural adjustment programmes, to emphasize considerations of a social nature and take into account the medium- and long-term social costs of adjustment policies. Emphasis should also be put on the peculiarities of the economic, political and social situation of loan-receiving countries and the importance of an enhanced dialogue between recipient countries, donors and financial institutions. Moreover, a favourable external environment in which international trade re-emerged as an engine of economic growth was indispensable if the standards of living of the poor populations of the developing countries were to be raised. He concluded his statement by advocating policies to empower the poor and promote popular participation as a strategy for alleviating poverty. In this respect, he recognized the essential role played by non-governmental and popular organizations and called upon more research to be undertaken and studies to be prepared on this issue.

21. The representative of **Switzerland** said that the documentation prepared by the secretariat was balanced, open and frank. Poverty posed a serious threat to sustainable human development and it was not, therefore, a marginal phenomenon that could be dealt with through charity. Based on these considerations, his Government was of the view that an effective approach to poverty alleviation should be more political and not just based on economic considerations. Empowering the poor should facilitate their access to productive assets and integrate them into society. In this context, empowerment entailed participation of the poor in the formulation of projects and initiatives, political dialogue and strengthening of grassroots organizations that fostered self-help.

22. With regard to the World Social Summit, his Government gave full support to the UNDP proposal concerning a "20-20 matching" formula whereby 20 per cent of ODA and 20 per cent of local funds could be devoted to priority social projects for the poor.

23. Concerning item 3 of the agenda, he drew the attention of the Standing Committee to the agreed conclusions of the Intergovernmental Group of Experts on Poverty Alleviation on the issue of appropriate policies for the mobilization of domestic resources, including reform of fiscal policies with a view to raising public funds for poverty alleviation. On item 4 of the agenda, he said that he shared the view presented in document TD/B/CN.2/10 according to which pragmatic and flexible adjustment solutions should be designed for each country according to its economic and social conditions. Such an approach would have the added advantage of taking into account the interests of the most disadvantaged segments of society.

24. On the issue of small-scale and micro-enterprises in international trade, his delegation attached great importance to this item on the agenda and, in order to have the issue examined thoroughly by a group of experts, his Government was providing technical and financial support for the organization of the workshop to he held in Chile in November 1994.

25. The spokesman for the **European Union** (Germany) said that he welcomed the more or less general consensus to the effect that poverty reduction was the central task of development policy. In the perception of member countries of the European Union, five points were particularly relevant in the design and implementation of poverty alleviation policies. First, development should be people-centred, the poor being the primary goal of efforts to improve infrastructure and to build an efficient economy. Second, political will on the part of all concerned, namely Governments in the North and in the South, international organizations, NGOs and the poor themselves, was indispensable for efforts at poverty alleviation to make progress. Third, as poverty was essentially a structural problem, it should be addressed through adequate means - the implementation of structural reforms, the creation of a supportive national and international environment, and the building-up of a civil society based on democratic principles which incorporated disadvantaged groups and left ample scope for individual initiative. Fourth, participation at all levels was imperative, from grass-root participation in project design and implementation to the achievement of a national consensus among all social groups upon the appropriate design for structural reforms. Fifth, promotion of sustainable, broadly based labour-intensive growth, encouraging the poor to participate and contribute, and taking into account social issues, was a fundamental aspect of a successful poverty alleviation strategy.

26. With regard to the recommendations for further research made by the Intergovernmental Group of Experts on Poverty Alleviation, he expressed doubts

about the possibility of generalizing on the effects and costs of various forms of assistance and economic strategies for reaching target groups.

27. Structural adjustment programmes should be designed for poverty alleviation from the outset and should aim to do more than merely cushion any unwanted social impact. People's standard of living should be considered as the main objective and not as a secondary aim. Structural adjustment programmes should be included in development strategies that were aimed at poverty alleviation and should incorporate measures to alleviate the adverse effects of adjustment on the poor. In this context, the successful experiences of some countries in combining structural adjustment with poverty alleviation merited further study with a view to the possible replication of the methods in other countries.

28. Economic growth should be so designed as to create substantial new job opportunities at the same time. In this respect, he endorsed the suggestion to include micro and small enterprises in policy considerations, since they had a considerable potential for absorbing labour. Although the opportunities for this sector lay mainly in local markets, their export efforts should be encouraged as well.

29. With regard to its future work, the Standing Committee should focus on the subjects that were particularly relevant to UNCTAD's expertise and steer away from those questions that were already being dealt with in a competent manner in other international bodies. For this reason it would be advisable to look at the connection between trade and poverty, thus making the contribution to the World Social Summit one which would draw upon UNCTAD's areas of competence.

30. The representative of **China** said that the recommendations contained in document TD/B/CN.2/10 were constructive. What was important was that structural adjustment and poverty alleviation policies should be selected in the light of the specific conditions of each country. The basic approach must be to tap local productive forces and develop the local economy, while encouraging wealthier regions to assist poorer ones.

31. In China, government at all levels was trying to alleviate poverty by increasing employment and income, particularly through construction and infrastructure projects. The poor were also being encouraged to seek employment in wealthier areas. The emphasis in poverty alleviation was moving away from

relief towards projects designed to enhance the participation of the poor themselves in the development of their own areas.

32. Some areas of China had a comparative advantage in respect of certain products tradeable on international markets, and preferential treatment should be given in such cases. The UNCTAD secretariat should provide an analysis of the relationship between international trade and poverty alleviation for the next session of the Standing Committee.

33. China had made great progress in poverty alleviation, with the number of poor falling from 250 million to 80 million. The task of alleviating the poverty of the remaining 80 million was clearly an arduous one, but his Government hoped that all basic needs would be met by the end of the century.

34. The representative of **Tunisia** said that the causes of poverty were fourfold: natural causes (affecting namely the elderly, orphans, widows and the handicapped); social causes (concerning the lack of basic needs such as health care, drinking water, electricity, etc.); economic causes (resulting from a lack of access to services such as education, land, productive assets in general and credit); and political causes (relating to lack of democracy and non-existence of human rights).

35. The fight against the scourge of poverty in Tunisia had been launched on the basis of three principles: (i) the prevention of poverty; (ii) social protection aimed at alleviating poverty; and (iii) integration through the development of infrastructures. His delegation believed that preventing poverty was more important than putting forward proposals for alleviating or eradicating it, and three programmes had been devised in Tunisia for the specific purpose of preventing poverty: a programme aimed at social integration, a school-action programme (designed to enable children from poor households to attend school), and a food programme. Tunisia had lately devoted $340 million to the development of social services for the poor in the fields such as education, nutrition and transport.

36. With regard to the principle of social protection, the Tunisian Government had provided annual financial assistance to poor households, including the handicapped, the elderly, widows and schoolchildren. Regarding the third principle of integrating the poor into the productive system, adequate social and economic infrastructures had been constructed; incentives, financial or other, had been supplied for small enterprises (a cost-effective procedure, since this type of enterprise was able to function with very little financial input), social services

had been provided in the regions where the poor were concentrated, and loans had been granted to young people. Moreover, funds had been devoted to the promotion of handicrafts, training and follow-up action with former trainees.

37. He recognized the important role played by non-governmental organizations, both local or international. They were in fact indispensable elements of development because they operated outside the usual bureaucratic network and built up direct contacts with citizens. Finally, he called upon the UNCTAD secretariat to continue its in-depth study of small-scale and micro-enterprises as a means of alleviating poverty.

38. The representative of **Morocco** drew the attention of the Standing Committee to a fact which he felt was often overlooked in the debate on poverty alleviation and reduction. When high population growth was combined with sizeable public expenditure on basic social services, absorbing scarce budgetary resources that would otherwise go to investment, it was usually the poor who were deprived of the benefits of growth and therefore denied the opportunity to escape the poverty trap. He reported on his Government's attempt to deal with these challenges and shared his country's experience in formulating an integrated strategy that could deal with the challenges of meeting the basic needs of the poor, as well as providing for their social, political and economic integration as full actors in society. His country's new development strategy had become operational early in 1994, and his delegation would report on progress achieved in the strategy at the next session of the Standing Committee and other appropriate fora.

39. The representative of the **Philippines** said that nothing eroded human dignity more than deprivation and poverty, and the most pressing issue confronting the international community today was therefore how to reduce and eventually eradicate poverty. Although in many countries in Asia growth had raised per capita incomes substantially and reduced the incidence of poverty to pockets in rural areas, poverty was still on the rise in economies that remained stagnant or were declining. Governments must intervene and introduce suitable measures where markets did not work effectively if the participation of the poor in markets and economic affairs was to be achieved. Measures could include agrarian reform, progressive taxation, and spending on social services and infrastructure in depressed regions, and they should be aimed at facilitating the access of the most disadvantaged and marginalized sectors of society to productive activities. He also outlined his Government's strategy aimed at reducing and alleviating poverty through a variety of national, regional and communal programmes that involved the

participation of the poor. Turning to the external environment, he said that the debt-servicing burden of the Philippines continued to exert competing claims on resources for economic and human development, and natural disasters had also taken a heavy toll. He reiterated that, despite some success in alleviating poverty in the rural and urban areas, that success could only be sustained if the international community were to complement domestic efforts through the provision of financial and technical support.

40. The representative of **Pakistan** emphasized that poverty alleviation was essential for political and economic stability of individual countries. While national efforts continued to be of utmost importance in this respect, "good governance" at the international level became increasingly important as well. This held true particularly when ODA levels were below the agreed-upon targets for developed countries and when a number of trade barriers were preventing developing countries from making more use of their competitive advantage and exporting more products to developed countries with a view to improving the living standards of their poor. Under these circumstances, a priority to be tackled at the World Social Summit agenda should be the setting of medium-term and long-term targets for the eventual eradication of poverty.

41. The representative of **the Islamic Republic of Iran**, referring mainly to item 4 of the agenda and more specifically to the relationship between international trade and poverty alleviation, said that many LDCs had been making considerable efforts to alleviate poverty and had elaborated policies aimed at enhancing their economies and mobilizing existing resources for job and wealth creation in rural areas, despite bottlenecks arising from insufficient infrastructure and the absence of an environment favourable to such activities. They had been spending significant amounts on investment and yet had often failed to meet their targets in terms of GDP growth and development. They had also largely failed to optimize the gains possible from their commercial activities with their neighbours and with their partners in international trade. This failure had been largely due to the fact that they were unfamiliar with foreign markets and could not benefit from the advantages of economies of scale.

42. Poor countries were handicapped in their development not only by a lack of resources, but also by a paucity of expertise and managerial skills. For that reason, it might be advisable for central and local governments in developing countries to undergo administrative restructuring that would provide a solid ground for revitalized socio-economic activities bringing about a redistribution of wealth

and leading to an alleviation of poverty. Developing countries, in particular the least developed countries, should not depend solely on charity donations, food aid and other donations in kind from surplus nations to compensate for the lack of financial resources. Aid from developed countries should take the form of technical assistance projects which targeted large proportions of the population in poverty-stricken communities. Such projects would provide the poor with a wide range of economic activities which would ultimately lead to an era of sustained development, as had been experienced by a number of poor countries in the past. Some developing countries had benefited from technical assistance, particularly from export-oriented economies, and had learned how to commercialize their products. This should be regarded as essential when attempting to link international trade with poverty alleviation.

43. Finally, he proposed sending to the World Summit on Social Development a package of recommendations on technical assistance, not only for poverty alleviation purposes but also with the objective of contributing to the increase in the level of global internationale trade and investment.

44. The representative of **Japan** said that the philosophy which guided his Government's policies in assisting developing countries to fight poverty was based on a differentiated approach to bilateral cooperation that combined various forms of assistance such as grant aid, technical assistance, commercial finance, and other funds such as export credits. The guiding principle of his country's assistance programmes was "graduation" based on the level of economic development of the country in question. While his Government provided assistance to developing countries for poverty alleviation on the basis of humanitarian considerations, he felt that poverty should not be treated as just a social problem but more as a developmental one. Social policies could contribute to alleviating poverty, but they did not necessarily eradicate the root causes of poverty. Assistance directed at the socio-economic infrastructure of developing countries could strengthen their self-help development efforts by creating a growth-favourable environment. He concluded by saying that ODA should be designed to allow developing countries to attain development levels that could foster self-help and eventually become sustainable.

45. The representative of **Nigeria** said that the poverty crisis had reached such a level in certain regions of the world that it could no longer be ignored and therefore must be examined from pragmatic and operational angles. An important issue of immediate concern to his country was that of international trade and access to markets. According to a World Bank study, 50 per cent reduction in trade

tariffs would increase developing countries' exports by US$ 50 billion a year, only slightly less than the annual US$ 54 billion that they received in aid. External debt service payments for many countries had continued to divert resources from basic social services such as health care, education, clean water, shelter, etc. He concluded by appealing to UNCTAD to coordinate its work with other agencies like FAO, WHO, UNICEF and the World Bank in order to avoid duplication of effort.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

46. The second session of the Standing Committee on Poverty Alleviation was opened by Mr. C. Fortin, Officer-in-Charge of UNCTAD.

B. Election of officers
(Agenda item 1)

47. At the opening plenary meeting of its second session, on 25 July 1994, the Standing Committee elected its Bureau, as follows:

Chairman:	Mr. Markus Kummer	(Switzerland)
Vice-Chairmen:	Mrs. Taous Feroukhi	(Algeria)
	Mr. Banmali Prasad Lacoul	(Nepal)
	Mr. Alejandro Rogers	(Chile)
	Mr. Peter Bauer	(Germany)
	Mr. Miroslav Pise	(Czech Republic)
Rapporteur:	Mr. Gomi Tharaka Senadhira	(Sri Lanka)

C. Adoption of the agenda and organization of work
(Agenda item 2)

48. Also at the opening plenary meeting of its second session, the Standing Committee adopted its provisional agenda (TD/B/CN.2/6), as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Exchange of experiences on poverty reduction impacts of social funds and safety nets, including the mobilization of domestic and external resources for poverty alleviation.

4. Effects on poverty alleviation of structural adjustment programmes, job creation policies, and means for the participation of small-scale and micro-enterprises in international trade

5. Social mobilization and organization of the poor

6. Contribution to the World Summit for Social Development

7. Provisional agenda for the third session of the Standing Committee

8. Other business

9. Adoption of the report of the Standing Committee to the Trade and Development Board.

D. Provisional agenda for the third session of the Standing Committee

(Agenda item 7)

[To be completed]

E. Other business

(Agenda item 8)

[To be completed as appropriate]

F. Adoption of the report of the Standing Committee to the Trade and Development Board

(Agenda item 9)

[To be completed]

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Rapporteur: Mr. Gomi Tharaka Senadhira (Sri Lanka)

Addendum

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(continued)

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(Agenda items 3, 4, 5 and 6)

(continued)

General debate (continued)

1. The representative of the **Afro-Asian Rural Reconstruction Organization** (AARRO) said that the rural poor suffered from limited assets, environmental vulnerability, and lack of access to infrastructure, public services and productive employment. Women, children and the elderly were among the worst hit.

2. Despite their considerable scope, anti-poverty programmes in some countries had failed to reach the beneficiaries properly. The poor were often not involved in any of the activities they were expected to benefit from and, hence, did not have much commitment to them. Although poverty alleviation programmes were often run by highly qualified professionals, those professionals usually had little knowledge about the actual problems or about the potential and capacities of the poor to improve their conditions if properly encouraged and supported by adequate facilities. What was actually needed was not welfare but the mobilization of the poor based on an understanding of their felt needs and respect for their capabilities and willingness to improve their conditions through their own efforts. Self-help groups and organizations were effective in alleviating poverty.

3. Experience showed that a development strategy which relied exclusively on industrial progress at the expense of agricultural growth and to environment could

not be sustained over a long period. Although achieving a higher rate of growth was an important objective, the growth had to be balanced structurally and ecologically, and the fruits of growth had to be distributed equitably.

4. Strategies for the sustained advancement of the poor must include a number of elements. First, human resource development needed investment to reduce illiteracy rates, impart vocational training, and provide health care and other services. Due consideration should also be given to the preservation of the natural environment. Second, investments in infrastructural facilities in rural areas were essential for providing better employment opportunities for reducing rural-urban migration, in particular among the young. Third, it was also desirable to encourage people to set up their own cottage enterprises and handicrafts units which utilized locally available materials and talents. In this context, improved access to credit, without the need for collateral, might be helpful. Savings and thrift organizations, cooperatives, rural banks or mobile banks often had positive records in this respect. Fourth, Governments, while focusing on the creation of an enabling macro-economic environment supportive of economic growth, should also promote more equality in income distribution within the country concerned.

5. AARRO was actively involved in a number of projects related to poverty alleviation in rural areas, including the creation of the World Institute of Poverty Eradication in Malaysia. He strongly supported the idea of creating regional information clearing houses on poverty alleviation as forums for the exchange of views and for the development of anti-poverty strategies. Finally, the poverty alleviation projects of the various international agencies must be properly coordinated.

6. The representative of **India** reminded delegations of the consensus achieved in Cartagena on the importance of international cooperation in the eradication of poverty for peace, stability and prosperity around the world. Since the benefits of economic growth could take time to trickle down, it was essential to address directly various manifestations of poverty, such as hunger, illiteracy, disease, unemployment and the absence of shelter.

7. Since patterns of poverty varied considerably from country to country, there could not be uniform responses to poverty alleviation. India put emphasis on employment generation and the creation of extensive social infrastructure. Effective participation of the poor themselves, from the formulatory stage of

projects to the resulting self-sustainability of poverty alleviation programmes, was also encouraged.

8. He called for the creation of an enabling international environment, including the realization of the agreed commitment to 0.7 per cent of GNP as ODA and the adoption of measures encouraging the flow of private capital and foreign direct investment to developing countries, such as the transfer of technologies and resources on concessional terms. One major obstacle in the external environment was barriers to market access for products in which developing countries had a competitive edge. This situation frustrated efforts to expand labour-intensive sectors which could help in generating self-sustaining employment.

9. Structural adjustment programmes, if carried out in the right external and internal environment, could result in sustained growth in GNP. In the short run, however, they produced cuts in public expenditure and subsidies, higher unemployment and reductions in wages. It was therefore essential to concentrate efforts on mitigating those adverse effects so that adjustment reforms could have a human face.

10. Finally, UNCTAD's contribution to the World Summit for Social Development should centre on the areas covered by its mandate, thus allowing it to draw on its specific expertise. UNCTAD could in particular provide worthwhile recommendations on ways of alleviating poverty through international trade, especially through increased exports of labour-intensive products.

11. The representative of the **Asian Group** (Nepal) said that, with regard to agenda item 3, his Group felt that the mobilization of external resources was of crucial importance for the implementation of poverty alleviation programmes. Unfortunately, the supply of aid had decelerated, as mentioned in the secretariat's report on item 3. He urged donors to fulfil the internationally agreed aid targets, since this would accelerate the flow of resources to poverty alleviation programmes. Donors might wish to consider the adoption of poverty reduction targets as one of the primary objectives of their aid policy.

12. With regard to item 4, Asian countries had used their own home-grown formulas of structural adjustment to good effect. Some countries had been able to expand their export manufactures and successfully combine high and sustained rates of growth with poverty reduction and macroeconomic stability. Through appropriate sequencing and phasing of adjustment policies, these countries had largely managed

to avoid some of the pitfalls often associated with orthodox structural adjustment policies. As regards job creation policies to benefit the poor, some countries in the region maintained large-scale public works emergency employment programmes that paid cash rather than in-kind wages, thus not disrupting local food supplies and markets. Some other countries had also helped create self-employment jobs through the provision of working capital and investment credit schemes targeted at the poor in rural and urban areas.

13. On the issue of small-scale enterprises in international trade, his Group felt that the case study on the small-scale sector contained in document TD/B/CN.2/10 usefully illustrated how the small-scale sector could become competitive in international trade, including trade among developing countries. He agreed that the international trade aspect of small-scale enterprises that employed many of the poor remained a generally neglected area of enquiry, and his Group therefore supported the organization of a workshop on international trade and the alleviation of poverty.

14. Turning to the contribution to be made by the Standing Committee to the World Summit for Social development, in view of the many analyses and recommendations already available to the various preparatory meetings, his Group felt that the recommendations emanating from the Standing Committee should focus on poverty reduction in relation to trade, resource mobilization, and other areas such as debt relief, ODA and market access. This would enable the Standing Committee to make a contribution to the Social Summit in conformity with UNCTAD's area of comparative advantage in the United Nations system. He also emphasized that priority should be given to the implementation of poverty alleviation programmes in the least developed countries and other developing countries where poverty was most acute.

15. The representative of **Mongolia** said that one of the major social problems facing his country today was poverty. Around 27 per cent of the Mongolian population lived below the poverty line, and the situation would get worse unless urgent measures were taken immediately. His Government, with the assistance of UNDP, had recently initiated an anti-poverty programme to be implemented over a five-year period. The programme was an integral component of the socio-economic development strategy of Mongolia and covered income and employment generation, poverty reduction among women and in rural areas, human resources development, and the establishment of a social safety net. The programme would be implemented in two phases: 1994-1996 and 1997-2000. His Government was committed to protecting

the most vulnerable groups of the population, as shown by its undertaking at the Tokyo donor meeting held in September 1993. To this end, Mongolia had sought to promote the role of NGOs in increasing the participation of the poor in the implementation of anti-poverty programmes.

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Geneva, 25 July 1994
Agenda item 7

PROVISIONAL AGENDA FOR THE THIRD SESSION OF THE STANDING COMMITTEE

Draft provisional agenda

1. Election of officers

2. Adoption of the agenda and organization of work

3. Analysis of the effects on the livelihood of the poor of elimination of trade barriers, increased competitiveness, trade flows, external shocks, diversification of exports particularly of labour-intensive goods and market access for such goods

4. Analysis of the effectiveness and impact of international development cooperation for poverty alleviation, including the identification of impediments, innovative measures and effective strategies for reaching the poor

5. Other business

6. Adoption of the report of the Standing Committee on its third session to the Trade and Development Board.

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Draft agreed conclusions of the Standing Committee on Poverty Alleviation

1. The Standing Committee on Poverty Alleviation agreed on recommendations to submit as its contribution to the World Summit for Social Development, as contained in annex II of the report on its second session.

2. The Standing Committee took note of the report of the Intergovernmental Group of Experts on Poverty Alleviation (TD/B/CN.2/8). The Standing Committee decided to merge the Group's two recommendations with item 3 (a) of the Work Programme of the Standing Committee and include them in the provisional agenda of the third session of the Standing Committee.

3. The Standing Committee also took note of the report of the Workshop on Social Mobilization and Organization of the Poor (TD/B/CN.2/7) and decided to bring it to the attention of Governments and relevant international organizations.

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CONTRIBUTION TO THE PREPARATORY COMMITTEE OF THE WORLD SUMMIT FOR SOCIAL DEVELOPMENT

Draft presented by the Chairman

The Standing Committee on Poverty Alleviation, in accordance with its mandate and with reference to the reduction and elimination of poverty that is one of the core issues of the World Summit for Social Development, proposes as its contribution to the World Summit recommendations directed at the nexus between international trade, development and poverty reduction.

The Standing Committee recommends that the following additions be incorporated in the finalized version of the draft Declaration and Programme of Action of the World Summit for Social Development (A/CONF.166/PC/L.13):

Institutional recommendation

The Standing Committee requests that in Paragraph 3 of the draft Programme of Action mention of the Eighth Session of the United Nations Conference on Trade and Development that met during 8-25 February 1992, be inserted after point iv, and in Paragraph 12 insert the words " A new partnership for development:" before the words "the Cartagena Commitment".

Substantive issues and recommendations

Recalling paragraph 18 of A New Partnership for Development: The Cartagena Commitment, the Standing Committee on Poverty Alleviation requests that the five sets of issues and recommendations adopted below be incorporated in Part II: Reduction and elimination of widespread Poverty, paragraphs 31-85 of General Assembly document A/Conf.166/PC/L.13, "Outcome of the World Summit for Social Development: Draft declaration and draft programme of action".

1. Increased participation in international trade can provide a major stimulus for both economic growth and poverty reduction. In this respect, the Uruguay Round agreements represent a step forward as they provide for clear, equitable, transparent, predictable multilateral rules for trading environment. If implemented faithfully in letter and spirit, they can provide export opportunities to developing countries. Expanded trading opportunities can be an important vehicle for reducing poverty on a sustainable and lasting basis in developing countries provided that they are accompanied by employment-friendly patterns of growth.

Policies to enable developing countries to take advantage of expanded international trading opportunities should combine sound macroeconomic structures and appropriate government actions. An open, transparent, predictable and supportive multilateral trading system is an essential condition to achieve domestic progress in the alleviation of poverty. Developed countries have a major responsibility, in the context of growing interdependence, to create and sustain a global economic environment favourable to accelerated and sustainable development in developing countries. This should be complemented by improved market access and enhanced technology transfer.

2. Some countries may be faced with serious problems arising from the Uruguay Round agreements as they attempt to adjust their economic structures to the new circumstances. The erosion of margins in the GSP and the higher prices of food imports resulting from the new disciplines in the field of subsidies pose substantial adaptation problems for a number of developing countries, in particular the least developed countries. However, some of these concerns are addressed in the Marrakesh decisions on measures concerning the possible negative effects of the reform programme on least developed and net food-importing developing countries and on measures in favour of least developed countries.

Improvement of the GSP scheme, aimed at giving an employment-friendly orientation in terms of giving preferences for labour-intensive products, as well

as further progress in the opening of developed country markets are desirable if developing countries, particularly the least developed countries, are to reap full benefit from the new trade environment. Increased trade liberalization in the developed countries could especially be helpful if it induced vertical diversification in the developing countries in the processing of primary export products.

3. Poverty can be reduced through employment generation by the increased participation of small-scale manufacturing enterprises and agricultural smallholders in international trade. These activities are characterized partly by substantial backward linkages, e.g. subcontracting arrangements, that are primary sources of jobs for the poor.

Governments have an important role to play by creating the necessary macro-economic framework and providing an enabling environment favouring the economic participation of the poor, enhancing capacity building efforts, providing adequate infrastructure and improving human capital. Trade regimes which are biased against exports should be reformed. Governments should also, as far as small-scale enterprises are concerned, support research and development, training, quality control, contacts with potential foreign buyers and the promotion of international networks among enterprises in order to encourage the exchange of experiences and lateral learning. With respect to smallholders, Governments should ensure access to essential inputs and quality control of graded exports. International cooperation is required to strengthen market access for such micro-enterprises.

4. The burden of debt and debt service constitutes one of the major obstacles to accelerated growth and to the eradication of poverty. Despite often painful adjustment efforts and some recent upturn in resources flows, substantial external financial resources are required by developing countries. In view of the prevailing stringent budgetary conditions resulting from the debt overhang, developing countries need external assistance to develop their export potential. Official

development assistance is important for human resources development and other aspects of development that facilitate the participation of the poor in international trade.

A practical and innovative approach for donors to assist developing countries to develop their export potential under conditions of high external indebtedness could be to consider debt relief by using debt conversion schemes to mobilize domestic resources. Under the proposed approach, a certain proportion of the counterpart funds could be utilized in support of small-scale enterprises and smallholders engaged in production for export. An improved dialogue between donor and recipient countries would help to ensure more efficient and effective strategies for promoting and achieving the agreed-upon objectives, including meeting internationally recognized ODA targets.

5. Economic growth and poverty alleviation depend on appropriate domestic policies and favourable conditions in the world economy. Adjustment has been and remains necessary for recovering from exogenous shocks, as well as for continuously adapting to changing patterns of world demand and competitiveness, technological change and trade. In the aftermath of the debt crisis of the 1980s, significant social costs have arisen from the structural adjustment programmes that many developing countries have adopted. In the light of the general experience to date, there is a growing consensus that structural adjustment programmes should be flexible and contain measures which alleviate adverse social costs and that matching resources are needed for the success of such measures.

Structural adjustment programmes should be differentiated in accordance with each country's circumstances. The instruments forming part of structural adjustment programmes should take account of the essential components of the fight against poverty and strive to alleviate the negative repercussions on the poor. The ultimate purpose of adjustment ought to be to attack the underlying structural causes of poverty. Structural adjustment programmes should be accompanied by

appropriate external support.

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CHAIRMAN'S SUMMARY

1. The Standing Committee on Poverty Alleviation at its second session discussed a wide range of issues, as reflected in the agenda.

2. There was a lively and extended discussion of the issues of structural adjustment and small-scale enterprises during the informal debate on Item 4. The discussion reflected the importance which delegations attach to those issues, as well as the fact that they had not previously been discussed in preparatory meetings or workshops leading up to the holding of the second session of the Standing Committee. While delegations also attached importance to the issue of job-creation policies, the general sense of the Standing Committee was that substantive discussions of that issue in the United Nations system should be reserved to meetings of the International Labour Organization (ILO). There was also some discussion of the issue of social mobilization and organization of the poor during the informal debate on item 5.

3. The prevailing view of delegates was that orthodox structural adjustment programmes, in the short and medium term, have negatively affected the poor in most developing countries, imposing hardships on those groups with respect to employment, purchasing power and the provision of social services. One delegation suggested that certain sections of the community, especially the rural poor in sub-Saharan Africa, have benefited from structural adjustment.

4. It was acknowledged that without a favourable international environment, it is difficult for structural adjustment programmes to avoid reducing the standards of living of the poor in the adjusting countries concerned. Both national and international efforts should be combined. Fresh inflows of financial resources were considered essential in enabling adjusting countries to (a) mitigate the negative impact of adjustment programmes on the poor and (b) compensate adversely-affected population groups for the social costs sustained during adjustment.

5. Some delegations, on the other hand, emphasized that structural adjustment policies had reduced inflation, rationalized fiscal and monetary practices, balanced the domestic and external account and, most importantly, facilitated the renewal of economic growth in a number of developing countries. In some instances, these achievements led to an eventual reduction of poverty in the countries concerned.

6. While recognizing that the achievement of growth is the primary goal of a successful adjustment programme, many delegates were of the view that the human dimension of adjustment ought to be more emphasized. In accordance with this view, the poor should obtain a bigger share of the benefits of growth and of the outcome of adjustment.

7. There was a general consensus that adjustment policy packages ought to be adapted to the specific economic, political and social circumstances of each adjusting country.

8. Given the consensus that many orthodox structural adjustment programmes have short-term costs for the poor, there was general agreement that structural adjustment instruments in their present form should be reconsidered and their design improved in such ways as to minimize their social costs and adverse impact on the poor. The process of adjustment, it was felt, should have a "human face". The design of macro and meso policies ought to include provisions that take into account not only the chronic poor but also the "new poor" created by the adjustment process: impoverished middle classes, the conjunctural poor, the unemployed, and so forth. Along with growth-oriented objectives, therefore, objectives of poverty reduction ought to be included in the basic design of adjustment policies.

9. With respect to safety nets and social security schemes, it was felt that such schemes ought to be more targeted than is often the case on the most vulnerable of the poor in compensating them for the losses in welfare that they have experienced as a result of structural adjustment policies.

10. It was suggested that the poor, either through their own organizations or representatives, have a potentially important consultative and decision-making role to play when agreements on structural adjustment programmes are discussed. In that way popular acceptance of the eventual adjustment package is likely to be enhanced.

11. The views of delegates differed as to a proper balance between the role of market forces and the State during adjustment. Some delegations were in favour of reducing the role of the State in the economic sphere, while others advocated that the State should intervene more actively in the economy.

12. There was a convergence of views on the need for adjustment programmes to create a favourable environment to private initiative. Given that structural adjustment programmes have often resulted in job retrenchments, delegates were of the view that the role of the informal sector and small-scale enterprises in absorbing the unemployed should be supported and encouraged.

13. A general consensus emerged from the debate regarding the importance of small and micro-enterprises for the creation of employment, a more equitable distribution of income in favour of underprivileged strata of population and, hence, for the alleviation of poverty.

14. In order to increase the contribution of small and micro-enterprises to the alleviation of poverty, Governments might consider pursuing active labour policies with a view to encouraging the set-up of small and micro-enterprises among the most affected groups of population, namely (a) workers retrenched as a result of the public sector restructuring related to SAPs, and (b) young people, often graduated from various types of schools and looking for their first job. Special attention should be given also to projects designed for rural areas, with the aim to increasing the self-sufficiency and, hence, the standard of living of rural families.

15. The view was expressed that the informal sector in the urban areas and the "people's economy" in the rural zones play a crucial role in absorbing the unemployed poor. Therefore, governmental support should be provided to these sectors, with the aim of bringing these activities into the formal sector.

16. As regards the opportunities of small and micro-enterprises in international trade, two opinions emerged. One view was that the scope of these activities is oriented mainly at domestic markets and the needs of the local population. This was particularly the case of micro-enterprises.

17. The second view affirmed that, according to certain national experiences, the small sector both in industry and in agriculture can make a significant contribution to the country's export record, as in cash crops or handicrafts.

18. Following the second line of reasoning, small and micro-enterprises have characteristics which give them reasonable prospects for success in international trade; namely low labour costs, generally lower capital requirements, greater flexibility and innovative capacity, and the ability to produce small quantities of products.

19. However, the export efforts of these enterprises are hindered by lower productivity, financial weakness and the difficulty in producing up to international standards. In this context, specific measures are necessary for increasing the competitiveness of the small-scale sector in international trade, namely: (a) improved access to credit, including the provision of loans adapted to the needs of the small-scale sector; (b) provision of infrastructure, including equipped industrial sites for clustered groupings of small entrepreneurs; (c) enhanced professional training (delivered locally or with the assistance of donors); (d) regulatory environment that is friendly to the creation of small-scale activities, such as simplified procedures for the set-up and running of enterprises or clear land tenure rights and rules in the case of agricultural activities.

20. Most of the small enterprises and virtually all micro-enterprises are unable to penetrate export markets on their own. Three options were therefore suggested to facilitate the access of these enterprises to international markets: (a) to export indirectly, i.e. to establish vertical linkages (through subcontracting) with larger enterprises which would then export the final product; (b) for the associations of producers in clusters of small enterprises to assume the export responsibilities on behalf of their members; and (c) to accede to foreign markets through specialized export companies.

21. A favourable external environment is an important prerequisite for maximizing the contribution of international trade to poverty alleviation and, consequently, for making people see the value of free trade in improving their welfare. In this context, three main points have been put forward: (a) the importance of improved access to developed markets for labour-intensive products originating from developing countries, including through giving them greater GSP benefits; (b) the importance of external assistance in increasing the competitivity of the small sector in developing countries, e. g. through training programmes and the upgrading of technological know-how; and (c) the importance of identifying innovative approaches for raising funds for small-

scale sector enhancement programmes, including debt conversion schemes to mobilize domestic resources which could be used for investment in the small-scale sector.

22. Owing to the fact that there seems to be considerable untapped export potential within the small-scale sector, and due to the lack of available studies on the issue, the delegates welcomed and supported the proposal by the Secretariat to organize a workshop which would examine the topic in greater detail and contribute to a fruitful exchange of national experiences related to the means of enhancing the participation of small and micro-enterprises in international trade.

23. Self-help implies the involvement of the poor in identifying and deciding on their own needs and solutions to local problems. Local associations are flexible and use simple methods of management which make them highly suitable for the social integration of the poor.

24. Programmes intended for the benefit of the poor that are carried out without their involvement risk creating a sense of dependency by not making use of their self-help capacity.

25. Governments can strengthen the self-reliance of the poor by delegating programme responsibilities to the community associations concerned.

26. A balance needs to be struck between entrusting the poor with more responsibility for carrying out programmes of benefit to them and the need for direct government intervention.

27. It was felt that NGOs played an important role in helping the poor implement local programmes that were entrusted to management by community groups. It was also pointed out that some NGOs operated in a top-down fashion without listening carefully to the desires of the poor.